

## POLICY AND PRACTICE UPDATES

### **Vice Health Minister: Fiscal allotment isn't the key to the Health Reforms**

Source: China Economic Times 2010-03-20

<http://health.sohu.com/20100316/n270850618.shtml>

"The primary problem should be the institutional reform of the Healthcare System." Said Huang Jiefu, the Vice Health Minister. Voicing a distinctly different tone from many of the Chinese People's Political Consultative Conference committee members of the Medical and Health Field, Huang stated that the Health Reforms cannot rely mostly on government investment. He also indicated his disagreement of the report submitted by of Committee Members, which applied for more fiscal allotment for public hospitals.

Huang expounded the Healthcare System Reforms, especially the reforms of public hospitals, as a reform integrated from three parts: management system reform, operation system reform, and service mode reform. The management system reform involves building the hospital governance structure, the administrator responsibility delegation, and the staffing system. The operation system reform involves establishing a pay-for-performance wage structure and a medical staff development system. The service mode reform involves building the social medical insurance system and a proper medical price schedule. He also emphasized on promoting the economic incentive and professional ethics among medical personnel, which is an essential part of a successful Healthcare System.

### **A Model of Merging Rural and Urban Medical Insurance**

Source: Financial Magazine 2010-3-29

<http://magazine.caijing.com.cn/2010-03-29/110405574.html>

The New Rural Cooperative Medical System (NRCMS) and Urban Resident Medical Insurance (URMI) are currently administered by different government authorities. Many scholars proposed that the integration of the two health insurance programs should be the goal for the next round of health care reform. However, because of the vested interests, this proposal will be very difficult to implement in practice.

The purpose of the integration is to synergize the existing medical insurance resources, reduce administrative costs, and establish a universal and uniform medical insurance platform. However, NCMS is currently administered by the Ministry of Health and URMI by the Ministry of Labor and Social Security. The potential conflict between the two government bodies poses a hurdle of the integration as there are no clear guidelines as to which ministry will take charge of the issue.

Pilot reforms are being tested in some developed regions, such as Changshu, Jiangsu and Jiaxing, Zhejiang, where the rural-urban gap is less pronounced. However, it is reported that the pilot reforms will not be expanded for the moment, given the constraint in financial resources.

### **A 3 Billion RMB Gap in the "Zero Mark-Up" Policy**

Source: 21st Century Economic Report 2010-04-13

<http://www.21cbh.com/HTML/2010-4-14/zMMDAwMDE3MjYzMg.html>

Shanghai Municipal Health Bureau recently released a detailed financial report on the revenue and cost of public hospitals in Shanghai. The report shows that the gross margin of these hospitals was about 3 billion in 2007. That is to say, if the new "zero mark-up" policy is to be implemented in Shanghai, approximately 3 billion RMB is required to make up for the loss of revenue.

The new medical reform program proposed three ways to compensate for the revenue loss of hospitals caused by the price-adjustment: implementing additional pharmacy service fees, adjusting the charging standards of diagnostic services, and expanding the government financial aid. Jin Chunlin, the Deputy Director-General of Budgeting and Finance Office under Shanghai Bureau of Health, suggested that a combination of the three measures is needed to address the revenue gap. He also mentioned extending health insurance coverage as a possible solution which could be combined with other remedial measures.

Since collecting the actual data of revenue and cost of public hospitals is necessary for assessing the impact of the new “zero mark-up” policy, public hospitals in a number of provinces are currently engaged in setting up elaborative costing and accounting framework and verification systems.

### **Public Dissatisfied with the High Drug Prices and Doctors’ Under Table Remuneration**

Source: Remin Net 2010-05-12

<http://finance.sina.com.cn/g/20100512/08087919274.shtml>

According to the Ministry of Health web site, Ma Wen, the director of the Central Disciplinary Inspection and Supervision Committee, recently pointed out that the people are still dissatisfied with some issues in the health care industry, especially with the high drug prices and doctor’s accepting “red packets” and kickbacks.

The joint ministerial conference, held on May 4<sup>th</sup>, aimed to rectifying the unhealthy tendency in drug sales and medical services. Minister of Health, Chen Zhu, suggested that the Ministry of Health should be responsible for the cooperation of the relevant departments to ensure that the benefit of the rectifying efforts and health care reforms are achieved. He also pointed out that in the past year, an effective incentive mechanisms were formed through systematic health care reforms and comprehensive regulations. In respect of the current problems, Ma Wen requested more involvement of special administration in the health care reform and proper implementation of the current reform policies.

Minister Chen Zhu also emphasized the use of health economic evaluation in the reforms. By collecting comments from the manufacturers, the users, and the payers, and by building an economic evaluation institute, the effectiveness of drugs, devices and treatment options can be appropriately evaluated to ensure the investment in health care benefits people’s health to its greatest extent.

### **Private Capital Investment Encouraged in the Health Care Industry**

Source: Renmin Net 2010-05-13

<http://politics.people.com.cn/GB/1027/11588907.html>

The State Council has recently issued a document suggesting that private investment will be encouraged in the development of healthcare industry. According to the document, government investment will be supplemented by private investment in the formation of the social securing and public service system.

The new document has clearly pointed out that private capital is encouraged to flow into the infrastructure industries, such as communication, utilities, oil and gas, telecommunications, and mineral resources exploration. Moreover, it became clear that private capital is encouraged to be invested in hospitals, community health centers, clinics and medical institutions. Private investment is also supported to participate in the reforms of public hospitals as well as the establishment of private-owned medical institutions. Favorable tax subsidies will also be provided on the privately owned not-for-profit hospitals.

## **Retail Pharmacy Stores May Replace the Pharmacy Department in the Community Clinics**

Source: China Pharmaceutical News 2010-05-17

<http://health.sohu.com/20100517/n272168156.shtml>

Ministry of Commerce lately released a discussion draft named "National Planning of Medicine Logistic Development". This draft proposed that community clinics will no longer own their pharmacy department if the area already have an established retail pharmacy store. It also suggested that the retail pharmacy store could play the drug delivery role under the essential drug system.

In line with the health care reforms, 80% of the essential drugs will be directly distributed through the community clinics. There will be about 3,700 community health centers and 11,000 community health stations involved by this policy. Building and maintaining such a large clinic pharmacy system will incur a large burden to the national fiscal authority, which can be easily avoided by allowing the local pharmacy stores to participate in providing the essential drugs.

Some have argued that this policy proposal is quite feasible. Firstly, since the pharmacy stores are profit-driven, they will provide better service and better management compared with the hospital pharmacies. Secondly, given that there are a large number of retail pharmacy stores, their participation in the essential drug system will make it more convenient for most of the patients to access the essential drugs.

## **After One Year and 390 Billion Yuan, Seeking Medical Care Still Remains Expensive**

Source: Economic Observer 2010.5.21

<http://finance.ifeng.com/news/special/xylgg/20100521/2220589.shtml>

According to the National Development and Reform Committee, China has put 390.2 billion Yuan into the health care reform by February 2010, which led to a widened coverage of medical insurance to 1.2 billion people and the initial establishment of primary care health system.

But access to the medical care still remains a problem. "From drugs to hospital beds, getting treated is still quite expensive", said Wang Peng, a manager of a Beijing retail pharmacy. Wang's father spent 6000 Yuan during an 80-day stay in a town clinic in Anhui, which is only 1000 Yuan less compared with last year. Even though he admitted that it is more convenient now to see a doctor, the assertion of 30% reduction in price is a puff, Wang claimed.

In order to alleviate the pressure from a large number of patients flocking to big hospitals, new medical reform increased the reimbursement of township health institutions to 70%, while the large hospital reimbursement has been compressed. But some people are still unhappy about the current primary care health facilities, for only the drug expenditure can be reimbursed, while hospitalization and diagnostic costs are still paid by the patients themselves.

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